

**NORTHEAST KANSAS MULTI-COUNTY
HEALTH DEPARTMENTS, INC.**

Hiawatha, Kansas

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
For the years ended June 30, 2018 and 2017

And

INDEPENDENT AUDITOR'S REPORTS ON FINANCIAL STATEMENTS

...***KL***...

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NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Financial Statements	1-2
Financial Statements	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statements of Activities - Modified Cash Basis	4
Statements of Functional Expenses 2018 - Modified Cash Basis	5-8
Statements of Functional Expenses 2017 - Modified Cash Basis	9-12
Statements of Cash Flows - Modified Cash Basis	13
Notes to Financial Statements	14-21
Supplemental Information	
Schedules of Net Service Revenue	22
Schedules of Grant Revenue	23
Schedules of Activities - Actual and Budget	24
Federal Program Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	25-26

...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Directors

Northeast Kansas Multi-County Health Departments, Inc.

907 S. 2nd Street

Hiawatha, KS 66434

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Northeast Kansas Multi-County Health Departments, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of June 30, 2018 and 2017, and the related statements of support, revenues and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective assets, liabilities, and net assets of Northeast Kansas Multi-County Health Departments, Inc.

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as of June 30, 2018 and 2017, and the respective support, revenues, and expenses, functional expenses and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other-Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northeast Kansas Multi-County Health Departments, Inc. (a nonprofit organization), basic financial statements. The Schedules of Net Service Revenues, Grant Revenues, and Activities – Actual and Budget enclosed are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Net Service Revenues, Grant Revenues, and Activities – Actual and Budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of Northeast Kansas Multi-County Health Departments, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northeast Kansas Multi-County Health Departments, Inc.'s internal control over financial reporting and compliance.



Karlin & Long, LLC
Certified Public Accountants

December 31, 2018
Lawrence, Kansas

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
As of June 30, 2018 and 2017

Assets	2018	2017
Current assets		
Cash and cash equivalents (Note 1)	\$ 969,928	\$ 1,052,108
Accounts receivable (Note 4)		
Patient care and health services	159,457	202,409
Government funding	35,276	39,201
Inventory - pharmaceutical supplies (Note 2)	15,027	13,266
Prepaid expenses	5,665	6,121
Total current assets	<u>1,185,353</u>	<u>1,313,105</u>
Fixed assets		
Property and equipment, at cost (Note 5)	143,767	133,457
Accumulated depreciation	<u>(113,107)</u>	<u>(102,348)</u>
Total fixed assets	<u>30,660</u>	<u>31,109</u>
Total assets	<u><u>\$ 1,216,013</u></u>	<u><u>\$ 1,344,214</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 313	\$ 43,130
Payroll taxes payable	1,742	17,500
Accrued salaries payable	3,082	4,106
Accrued compensated absences (Note 6)	36,059	33,269
Total current liabilities	<u>41,196</u>	<u>98,005</u>
Net Position		
Unrestricted	<u>1,174,817</u>	<u>1,246,209</u>
Total net position	<u>1,174,817</u>	<u>1,246,209</u>
Total liabilities and net position	<u><u>\$ 1,216,013</u></u>	<u><u>\$ 1,344,214</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - MODIFIED CASH BASIS
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Support		
Net service revenue	\$ 1,289,714	\$ 1,426,963
County tax levies	215,379	192,215
Grant revenue	444,812	422,014
Contributions in-kind (Note 10)	46,000	46,000
Contributions	5,140	9,947
Fundraiser	25	1,441
Miscellaneous	8,253	12,348
Interest income	1,017	948
	<u>2,010,340</u>	<u>2,111,876</u>
Expenses		
Bioterrorism emergency response	-	50,323
Certified Breastfeeding Peer Counsel	14,433	16,428
Child care licensing	52,842	52,129
Community health services	116,240	135,892
County levy	247,090	245,613
Ebola Funding	1,356	1,640
Family planning	-	5,029
Friends of hospice	2,630	1,261
Home health	222,011	285,753
Hospice care	925,203	791,558
Immunization action	329	23,681
Maternal and child health	209,021	114,490
NEK - Environmental services	104	138
PHEP	45,579	-
NEKES - In Kind	-	995
Senior care	448	5,378
Special Health Care Needs	1,358	-
State formula	27,908	23,086
United Way pharmacy	6,988	2,315
WIC	208,192	183,852
CDDR	-	28
	<u>2,081,732</u>	<u>1,939,589</u>
Net Increase (Decrease) in Net Position	(71,392)	172,287
Net position, beginning of year	<u>1,246,209</u>	<u>1,073,922</u>
Net position, end of year	<u><u>\$ 1,174,817</u></u>	<u><u>\$ 1,246,209</u></u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the year ended June 30, 2018

	2018				
	Bioterrorism Emergency Response	Certified Breastfeeding Peer Council	Child Care Licensing	Community Health Services	County Levy
Support					
Net service revenue	\$ -	\$ -	\$ 12,800	\$ 100,556	\$ 917
County tax levies	-	-	-	-	215,379
Grant revenue	-	11,298	43,481	-	-
Contributions in-kind (Note 10)	-	-	-	-	46,000
Contributions	-	-	-	60	-
Fundraiser	-	-	-	-	-
Miscellaneous	-	-	-	305	4,298
Interest income	-	-	-	-	1,017
Total revenues	-	11,298	56,281	100,921	267,611
Expenditures					
Payroll expenses	-	12,412	40,598	59,661	114,499
Internet	-	-	454	68	687
Advertising	-	38	-	-	555
Bank service charges	-	-	-	836	649
Depreciation	-	-	-	-	10,759
Dues and subscriptions	-	-	-	300	929
Small equipment	-	-	197	-	2,285
Insurance	-	-	5,492	-	14,743
Biological supplies and prescriptions	-	-	-	37,632	-
Postage	-	-	198	31	726
Printing and reproduction	-	-	-	-	330
Copier lease	-	-	-	-	425
Professional fees	-	-	-	-	3,075
Rent	-	-	-	-	46,000
Repairs and maintenance	-	-	-	2,251	11,091
Seminars	-	986	300	250	906
Telephone	-	944	800	754	1,194
Travel	-	45	4,480	541	6,400
Utilities	-	-	22	3,291	4,034
Contracted labor - general	-	-	-	610	15,349
Contracted labor - medical	-	-	-	8,302	668
Supplies	-	8	301	1,707	11,688
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	50
Miscellaneous	-	-	-	6	48
Total Expenditures	-	14,433	52,842	116,240	247,090
Revenues over expenditures	\$ -	\$ (3,135)	\$ 3,439	\$ (15,319)	\$ 20,521

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)
For the year ended June 30, 2018

	2018				
	Ebola Funding	Family Planning	Friend of Hospice	Home Health	Hospice Care
Support					
Net service revenue	\$ -	\$ -	\$ 1,823	\$ 209,388	\$ 933,918
County tax levies	-	-	-	-	-
Grant revenue	1,588	-	-	-	-
Contributions in-kind (Note 10)	-	-	-	-	-
Contributions	-	-	-	-	5,080
Fundraiser	-	-	25	-	-
Miscellaneous	-	-	215	-	195
Interest income	-	-	-	-	-
Total revenues	<u>1,588</u>	<u>-</u>	<u>2,063</u>	<u>209,388</u>	<u>939,193</u>
Expenditures					
Payroll expenses	258	-	370	131,290	457,194
Internet	-	-	-	319	9,367
Advertising	-	-	50	3,261	9,045
Bank service charges	-	-	-	-	-
Depreciation	-	-	-	-	-
Dues and subscriptions	-	-	-	120	-
Small equipment	-	-	298	6,659	11,848
Insurance	-	-	-	4,832	68,819
Biological supplies and prescriptions	-	-	-	63	51,387
Postage	-	-	9	109	747
Printing and reproduction	-	-	-	163	1,659
Copier lease	-	-	-	-	803
Professional fees	-	-	-	250	10,532
Rent	-	-	-	8,224	69,999
Repairs and maintenance	-	-	-	95	-
Seminars	-	-	-	310	2,756
Telephone	-	-	-	118	7,204
Travel	-	-	-	19,116	30,530
Utilities	-	-	763	302	3,978
Contracted labor - general	-	-	297	-	5,657
Contracted labor - medical	-	-	-	37,052	148,773
Supplies	1,098	-	756	9,728	33,229
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	87	-	1,676
Miscellaneous	-	-	-	-	-
Total expenditures	<u>1,356</u>	<u>-</u>	<u>2,630</u>	<u>222,011</u>	<u>925,203</u>
Revenues over expenditures	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ (567)</u>	<u>\$ (12,623)</u>	<u>\$ 13,990</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)

For the year ended June 30, 2018

	2016				
	Immunization Action	Maternal and Child Health	NEK Environmental Services	PHEP	Senior Care
Support					
Net service revenue	\$ -	\$ 29,960	\$ -	\$ -	\$ 352
County tax levies	-	-	-	-	-
Grant revenue	-	103,989	-	38,570	-
Contributions in-kind (Note 10)	-	-	-	-	-
Contributions	-	-	-	-	-
Fundraiser	-	-	-	-	-
Miscellaneous	-	-	-	3,240	-
Interest income	-	-	-	-	-
Total revenues	-	133,949	-	41,810	352
Expenditures					
Payroll expenses	324	126,949	-	26,198	334
Internet	-	581	-	3,319	-
Advertising	-	-	-	-	-
Bank service charges	-	-	-	-	-
Depreciation	-	-	-	-	-
Dues and subscriptions	-	-	-	4,799	-
Small equipment	-	2,619	-	2,146	-
Insurance	-	39,488	-	-	-
Biological supplies and prescriptions	-	9,626	-	-	-
Postage	-	232	-	1	-
Printing and reproduction	-	60	-	-	-
Copier lease	-	1,310	-	362	-
Professional fees	-	-	-	-	-
Rent	-	-	-	-	-
Repairs and maintenance	-	2,665	-	-	-
Seminars	-	1,113	-	725	-
Telephone	-	2,497	-	780	-
Travel	-	3,068	104	3,160	114
Utilities	-	7,286	-	1,045	-
Contracted labor - general	-	5,268	-	-	-
Contracted labor - medical	-	2,582	-	-	-
Supplies	5	3,677	-	3,044	-
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	329	209,021	104	45,579	448
Revenues over expenditures	\$ (329)	\$ (75,072)	\$ (104)	\$ (3,769)	\$ (96)

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)

For the year ended June 30, 2018

	2016				
	Special Health Care Needs	State Formula	United Way Pharmacy	WIC	Total
Support					
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,289,714
County tax levies	-	-	-	-	215,379
Grant revenue	5,283	27,164	9,750	203,689	444,812
Contributions in-kind (Note 10)	-	-	-	-	46,000
Contributions	-	-	-	-	5,140
Fundraiser	-	-	-	-	25
Miscellaneous	-	-	-	-	8,253
Interest income	-	-	-	-	1,017
Total revenues	5,283	27,164	9,750	203,689	2,010,340
Expenditures					
Payroll expenses	1,186	26,391	-	158,031	1,155,695
Internet	-	-	-	832	15,627
Advertising	-	-	-	-	12,949
Bank service charges	-	-	-	-	1,485
Depreciation	-	-	-	-	10,759
Dues and subscriptions	-	-	-	-	6,148
Small equipment	-	-	-	4,917	30,969
Insurance	-	423	-	7,893	141,690
Biological supplies and prescriptions	-	-	5,740	-	104,448
Postage	-	96	-	856	3,005
Printing and reproduction	-	-	-	60	2,272
Copier lease	-	-	-	616	3,516
Professional fees	-	-	-	-	13,857
Rent	-	-	-	-	124,223
Repairs and maintenance	-	-	-	210	16,312
Seminars	-	830	-	2,189	10,365
Telephone	-	-	-	2,458	16,749
Travel	172	168	1,048	6,608	75,554
Utilities	-	-	-	6,083	26,804
Contracted labor - general	-	-	-	14,242	41,423
Contracted labor - medical	-	-	200	176	197,753
Supplies	-	-	-	3,021	68,262
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	1,813
Miscellaneous	-	-	-	-	54
Total expenditures	1,358	27,908	6,988	208,192	2,081,732
Revenues over expenditures	\$ 3,925	\$ (744)	\$ 2,762	\$ (4,503)	\$ (71,392)

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the year ended June 30, 2017

	2017				
	Bioterrorism Emergency Response	Certified Breastfeeding Peer Council	Child Care Licensing	Community Health Services	County Levy
Support					
Net service revenue	\$ -	\$ -	\$ 3,525	\$ 111,918	\$ -
County tax levies	-	-	-	20	192,195
Grant revenue	38,978	12,600	56,082	260	21,204
Contributions in-kind (Note 10)	-	-	-	-	46,000
Contributions	-	-	-	-	-
Fundraiser	-	-	-	-	-
Miscellaneous	3,810	-	-	3,609	3,100
Interest income	-	-	-	369	579
Total revenues	<u>42,788</u>	<u>12,600</u>	<u>59,607</u>	<u>116,176</u>	<u>263,078</u>
Expenditures					
Payroll expenses	30,411	13,060	38,600	69,879	105,717
Internet	2,618	-	96	110	147
Advertising	-	-	-	-	150
Bank service charges	-	-	-	828	202
Depreciation	-	-	-	-	11,925
Dues and subscriptions	-	-	-	-	1,079
Small equipment	5,065	-	-	49	1,163
Insurance	531	-	6,166	2,763	31,690
Biological supplies and prescriptions	-	-	-	43,977	-
Postage	-	-	106	241	685
Printing and reproduction	-	-	21	301	133
Copier lease	-	-	-	258	602
Professional fees	-	-	-	-	3,863
Rent	-	-	-	-	46,050
Repairs and maintenance	-	-	-	-	2,011
Seminars	1,200	735	-	440	3,099
Telephone	1,053	1,932	662	611	3,311
Travel	3,409	661	5,071	849	4,441
Utilities	-	-	401	3,384	3,854
Contracted labor - general	2,310	-	825	106	18,850
Contracted labor - medical	-	40	-	5,172	176
Supplies	3,726	-	181	6,867	1,591
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	-
Miscellaneous	-	-	-	57	4,874
Total Expenditures	<u>50,323</u>	<u>16,428</u>	<u>52,129</u>	<u>135,892</u>	<u>245,613</u>
Revenues over expenditures	<u>\$ (7,535)</u>	<u>\$ (3,828)</u>	<u>\$ 7,478</u>	<u>\$ (19,716)</u>	<u>\$ 17,465</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)
For the year ended June 30, 2017

	2017				
	Ebola Funding	Family Planning	Friend of Hospice	Home Health	Hospice Care
Support					
Net service revenue	\$ -	\$ 1,912	\$ -	\$ 277,491	\$ 1,007,508
County tax levies	-	-	-	-	-
Grant revenue	3,113	-	-	-	-
Contributions in-kind (Note 10)	-	-	-	-	-
Contributions	-	-	-	140	7,607
Fundraiser	-	-	1,441	-	-
Miscellaneous	-	-	-	-	350
Interest income	-	-	-	-	-
Total revenues	<u>3,113</u>	<u>1,912</u>	<u>1,441</u>	<u>277,631</u>	<u>1,015,465</u>
Expenditures					
Payroll expenses	980	3,110	-	134,976	333,835
Internet	-	-	-	4,321	4,275
Advertising	-	-	-	4,895	5,461
Bank service charges	-	-	-	-	100
Depreciation	-	-	-	-	-
Dues and subscriptions	-	-	-	703	603
Small equipment	-	-	-	13,051	17,556
Insurance	-	-	-	13,073	29,019
Biological supplies and prescriptions	-	279	-	-	52,296
Postage	-	-	222	293	795
Printing and reproduction	-	-	-	274	813
Copier lease	-	-	-	135	249
Professional fees	-	-	-	4,360	4,360
Rent	-	-	-	7,597	66,957
Repairs and maintenance	-	-	-	-	157
Seminars	-	-	50	430	1,798
Telephone	-	-	-	1,367	3,365
Travel	139	-	134	25,405	24,761
Utilities	-	-	-	1,515	1,894
Contracted labor - general	-	350	-	165	20,854
Contracted labor - medical	-	1,267	-	62,937	196,578
Supplies	521	-	73	10,256	25,256
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	23	682	-	350
Miscellaneous	-	-	100	-	226
Total expenditures	<u>1,640</u>	<u>5,029</u>	<u>1,261</u>	<u>285,753</u>	<u>791,558</u>
Revenues over expenditures	<u>\$ 1,473</u>	<u>\$ (3,117)</u>	<u>\$ 180</u>	<u>\$ (8,122)</u>	<u>\$ 223,907</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)

For the year ended June 30, 2017

	2017				
	Immunization Action	Maternal and Child Health	NEK Environmental Services	NEKES In-Kind	Senior Care
Support					
Net service revenue	\$ -	\$ 19,555	\$ -	\$ -	\$ 5,054
County tax levies	-	-	-	-	-
Grant revenue	13,046	79,201	-	-	-
Contributions in-kind (Note 10)	-	-	-	-	-
Contributions	-	2,200	-	-	-
Fundraiser	-	-	-	-	-
Miscellaneous	-	1,479	-	-	-
Interest income	-	-	-	-	-
Total revenues	13,046	102,435	-	-	5,054
Expenditures					
Payroll expenses	23,330	70,836	-	931	4,693
Internet	-	234	-	-	-
Advertising	-	-	-	-	-
Bank service charges	-	-	-	-	-
Depreciation	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-
Small equipment	-	310	-	-	-
Insurance	-	19,348	-	-	-
Biological supplies and prescriptions	56	207	-	-	-
Postage	9	527	-	-	-
Printing and reproduction	-	21	-	-	-
Copier lease	-	702	-	-	-
Professional fees	-	-	-	-	-
Rent	-	30	-	-	-
Repairs and maintenance	-	616	-	-	-
Seminars	75	-	-	-	-
Telephone	-	3,800	-	-	-
Travel	18	1,346	138	64	680
Utilities	-	6,500	-	-	-
Contracted labor - general	193	7,623	-	-	-
Contracted labor - medical	-	498	-	-	-
Supplies	-	1,890	-	-	5
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	-
Miscellaneous	-	2	-	-	-
Total expenditures	23,681	114,490	138	995	5,378
Revenues over expenditures	\$ (10,635)	\$ (12,055)	\$ (138)	\$ (995)	\$ (324)

The accompanying notes to financial statements
are an integral part of this statement

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (continued)
For the year ended June 30, 2017

	2017				
	State Formula	United Way Pharmacy	WIC	CDRR	Total
Support					
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,426,963
County tax levies	-	-	-	-	192,215
Grant revenue	27,462	4,927	165,141	-	422,014
Contributions in-kind (Note 10)	-	-	-	-	46,000
Contributions	-	-	-	-	9,947
Fundraiser	-	-	-	-	1,441
Miscellaneous	-	-	-	-	12,348
Interest income	-	-	-	-	948
Total revenues	27,462	4,927	165,141	-	2,111,876
Expenditures					
Payroll expenses	22,131	-	130,341	28	982,858
Internet	-	-	1,004	-	12,805
Advertising	-	-	-	-	10,506
Bank service charges	-	-	-	-	1,130
Depreciation	-	-	-	-	11,925
Dues and subscriptions	-	-	-	-	2,385
Small equipment	-	-	1,079	-	38,273
Insurance	-	-	12,975	-	115,565
Biological supplies and prescriptions	-	1,997	-	-	98,812
Postage	60	-	747	-	3,685
Printing and reproduction	-	-	598	-	2,161
Copier lease	-	-	972	-	2,918
Professional fees	-	-	13	-	12,596
Rent	-	-	-	-	120,634
Repairs and maintenance	-	-	34	-	2,818
Seminars	-	-	1,790	-	9,617
Telephone	-	-	6,504	-	22,605
Travel	152	-	3,575	-	70,843
Utilities	-	-	4,425	-	21,973
Contracted labor - general	743	-	14,573	-	66,592
Contracted labor - medical	-	318	280	-	267,266
Supplies	-	-	4,941	-	55,307
Distribution to sub-recipient	-	-	-	-	-
Memorial expense	-	-	-	-	1,055
Miscellaneous	-	-	1	-	5,260
Total expenditures	23,086	2,315	183,852	28	1,939,589
Revenues over expenditures	\$ 4,376	\$ 2,612	\$ (18,711)	\$ (28)	\$ 172,287

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Net increase (decrease) in net assets	\$ (71,392)	\$ 172,287
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	10,759	11,925
Change in assets and liabilities		
Loss on asset disposal	-	3,308
Accounts receivable	46,877	56,841
Inventory	(1,761)	(3,476)
Prepaid expenses	456	(97)
Accounts payable	(42,817)	25,036
Accrued Salaries payable	(1,024)	1,286
Payroll taxes payable	(15,758)	4,767
Accrued compensated absences	2,790	(11,064)
Net Cash Provided (Used) by Operating Activities	<u>(71,870)</u>	<u>260,813</u>
Net Cash Flows From Investing Activities		
Purchase of property and equipment	(10,310)	(5,608)
Distribution of cash to entity no longer affiliated	-	-
Net Cash Provided (Used) by Investing Activities	<u>(10,310)</u>	<u>(5,608)</u>
Net Increase (Decrease) in Cash	(82,180)	255,205
Total Cash and Cash Equivalents as of Beginning of Year	<u>1,052,108</u>	<u>796,903</u>
Total Cash and Cash Equivalents as of End of Year	<u><u>\$ 969,928</u></u>	<u><u>\$ 1,052,108</u></u>
<u>Supplemental Information</u>		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements
are an integral part of this statement

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Description of Activities

In 1972, the governing bodies of Atchison, Brown, and Jackson Counties resolved that, pursuant to K.S.A. 65-205, the public health of the counties would best be promoted by the creation of the Northeast Kansas Multi-County Board of Health. During 1999, The Northeast Kansas Multi-County Board of Health became a not-for-profit organization and changed its name to Northeast Kansas Multi-County Health Departments, Inc. (NEKMHD). Northeast Kansas Multi-County Health Departments, Inc. (the organization) is a not-for-profit corporation organized for the purpose of providing health services to the residents of the participating counties.

Basis of Accounting

The accompanying financial statements of Northeast Kansas Multi-County Health Departments, Inc. have been prepared on the modified cash basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The modification from the accrual basis of accounting is the omission of the net pension liabilities for the organization based upon the participation in the Kansas Public Employees Retirement System.

Financial Statement Presentation

In 1996, Northeast Kansas Multi-County Health Departments, Inc. has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, Northeast Kansas Multi-County Health Departments, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Northeast Kansas Multi-County Health Departments, Inc. is required to present a statement of cash flows. As permitted by this statement, Northeast Kansas Multi-County Health Departments, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Under accounting principles generally accepted in the United States of America, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. All net assets are unrestricted.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

Reporting Entity

The Northeast Kansas Multi-County Health Departments, Inc. is governed by a nine-member board which is comprised of a county commissioner, a medical provider, and a medical consumer from each county. The members of the Board are appointed by the respective boards of county commissioners. The NEKMHD is considered to be jointly governed by the three counties.

The NEKMHD as an entity has been defined to include, on a combined basis, (a) Northeast Kansas Multi-County Health Departments, Inc., (b) organizations for which Northeast Kansas Multi-County Health Departments, Inc. is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Northeast Kansas Multi-County Health Departments, Inc. are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Each county provides local governmental support in the form of tax allocations. Tax allocations received during the years ended June 30, 2018 and 2017 were \$83,084, \$74,210, and \$58,085 from Atchison, Jackson and Brown counties for 2018 and \$71,302, \$67,310, and \$53,603 from Atchison, Jackson and Brown counties for 2017, respectively.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2018 and 2017, the carrying amount of the organization's accounts was \$969,928 and \$1,052,108, respectively. The bank account balances at June 30, 2018 and 2017 were \$1,044,816 and \$1,082,301, respectively, in the open accounts. The difference was made up of outstanding checks as of June 30, 2018 and 2017.

The organization's deposits are held in northeast Kansas banks and the certificates of deposit are held in a brokerage account. The Federal Deposit Insurance Corporation insures demand and time accounts up to \$250,000 per bank per account type. Amounts in the bank are secured by FDIC coverage up to \$250,000 and pledged securities by the bank for amounts in excess of \$250,000. The banking deposits of the organization were fully secured by FDIC insurance and pledged securities during the year.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consist of amounts due from various governmental units and from clients. The organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided. When accounts are deemed to be uncollectible, they are charged to operations. The organization uses the direct write-off method of accounting for bad debt expenses, which is a departure from accounting principles generally accepted in the United States of America. However, this departure from accounting principles generally accepted in the United States of America is considered to not have a material effect on the financial statements taken as a whole. Management believes this method approximates generally accepted accounting principles.

Inventory

Inventory is stated at cost determined by the first-in, first-out method.

Property and Depreciation

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful life of the respective asset. Depreciation recorded for the years ended June 30, 2018 and 2017 was \$10,759 and \$11,925, respectively. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

Income Taxes Status

Northeast Kansas Multi-County Health Departments, Inc. is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Northeast Kansas Multi-County Health Departments, Inc. has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code. The organization has not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

The Organization’s tax returns for the years ending 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of certain assets, liabilities and disclosures. Accordingly, actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year the adjustment is determined.

Revenue Sources

The Northeast Kansas Multi-County Health Departments, Inc. receives federal and state monies for administering certain programs and local governmental support in the form of tax allocations from Atchison, Brown and Jackson counties. Additionally, the NEKMHD receives reimbursements from Medicaid (Title XIX), Medicaid and insurance companies, as well as payments and contributions from individuals. The governmental revenues are recognized during the period the support is intended to cover.

Functional Expenses

The NEKMHD provides public health care services to residents in Atchison, Brown and Jackson Counties. Expenses related to providing services in 2018 and 2017 were \$2,081,732 and \$1,939,589 including approximately \$416,346 and \$387,918, respectively, for general and administrative expenses.

NOTE 2 – Inventory

The NEKMHD had vaccines and contraceptives on hand with a cost of \$15,027 and \$13,266 at June 30, 2018 and 2017, respectively.

NOTE 3 – Economic Dependence

A significant portion of the organization's revenue is from governmental program payments. Any major delay or reduction in these payments could have a materially negative impact on the operating results.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Accounts Receivable

Major classifications of accounts receivable at June 30, 2018 and 2017, respectively are as follows:

	<u>2018</u>	<u>2017</u>
Patient care and health services		
Medicare	\$ 107,479	\$ 159,776
Medicaid (Title XIX)	33,537	37,972
Private pay and insurance	<u>18,441</u>	<u>4,661</u>
	<u>\$ 159,457</u>	<u>\$ 202,409</u>
Government funding		
State and federal grant monies	<u>\$ 35,276</u>	<u>\$ 39,201</u>

NOTE 5 – Property and Equipment

Property and equipment accounts, including current year activity within those accounts, are comprised of the following:

	Balance	2017		Balance
	<u>July 01, '16</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, '17</u>
Leasehold improvements	\$ 2,310	\$ -	\$ -	\$ 2,310
Office equipment	141,192	3,249	(60,213)	84,228
Medical equipment	<u>44,562</u>	<u>2,357</u>		<u>46,919</u>
	188,064	5,606	(60,213)	133,457
Less: Accumulated Depreciation	<u>(147,326)</u>	<u>(11,925)</u>	<u>56,903</u>	<u>(102,348)</u>
	<u>\$ 40,738</u>	<u>\$ (6,319)</u>	<u>\$ (3,310)</u>	<u>\$ 31,109</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Property and Equipment (continued)

	2018			
	Balance July 01, '17	Additions	Retirements	Balance June 30, '18
Leasehold improvements	\$ 2,310			\$ 2,310
Office equipment	84,228	8,617	-	92,845
Medical equipment	46,919	1,693		48,612
	<u>133,457</u>	<u>10,310</u>	<u>-</u>	<u>143,767</u>
Less: Accumulated Depreciation	<u>(102,348)</u>	<u>(10,759)</u>	<u>-</u>	<u>(113,107)</u>
	<u>\$ 31,109</u>	<u>\$ (449)</u>	<u>\$ -</u>	<u>\$ 30,660</u>

NOTE 6 – Compensated Absences

Northeast Kansas Multi-County Health Departments, Inc. has a policy to accrue unused vacation leave as earned and to recognize the costs of sick leave when actually paid. Additionally, an employee with 10 years of work service and 90 days of accumulated sick leave will receive one month's salary upon retirement or resignation of employment.

Full-time employees earn vacation leave based upon their years of employment. Full time employees qualify for 8 hours paid vacation per month the first through fourth years up to a maximum accumulation of 18 days, and 10 hours per month from the fifth to the tenth years up to a maximum accumulation of 22 days, and 12 hours per month after ten years of employment up to a maximum accumulation of 24 days. Part-time employees can earn vacation leave at the rate of one hour for every 22 hours worked, with a maximum accumulation of 18 days.

Full-time employees earn sick leave at the rate of one day per month with no maximum accumulation limit. Part-time employees earn sick leave at the rate of one hour for every 22 hours worked with no accumulation limit.

Accrued compensated absences were \$36,059 and \$33,269 as of June 30, 2018 and 2017, respectively.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan

Plan Description – Northeast Kansas Multi County Health Department participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates depending on whether the employee is KPERS 1, KPERS2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to provisions Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on results of each annual actuarial valuation. Kansas sets a limitation on annual increases in the employer contributions rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with the 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the Northeast Kansas Multi County Health Department were \$85,540 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the Northeast Kansas Multi County Health Department's proportionate share of the collective net pension liability reported by KPERS was \$674,691 the net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined was an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. Northeast Kansas Multi County Health Department's proportion of the net pension liability was based on the ratio of the Northeast Kansas Multi County Health Department's contributions to KPERS, relative to the total employer and non employer contributions to the Local subgroup within KPERS. Since KMAAG regulatory basis of

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Defined Benefit Pension Plan (continued)

accounting does not recognize long-term debt, this liability is not reported in these financial statements. The complete actual valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website www.KPERS.org or can be obtained as described above.

NOTE 8 – Lease

The organization has agreed to lease space under a commercial lease for property in Brown County, Kansas. The lease term is two years beginning on July 1, 2016. The rental value of the lease is \$525 per month. At the end of the lease term, the lease is being renewed.

NOTE 9 – Risk Management

The organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10 – Contributions In-Kind

The Northeast Kansas Multi-County Health Departments, Inc. receives donations of office space from Atchison and Brown counties for use by the health agencies located in those counties. The estimated fair market value of the facilities has been recorded as in-kind contributions with like amounts included in rent under operating expenses. The estimated fair market value was \$ 46,000 and \$ 46,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 11 – Subsequent Events Review

Subsequent events for management's review have been evaluated through December 31, 2018. The date in the prior sentence is the date the financial statements were available to be issued.

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.

Hiawatha, Kansas

SCHEDULES OF NET SERVICE REVENUES

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Medicare		
Community health services	\$ 16,777	\$ 14,893
Home health	197,621	220,606
Hospice care	768,622	680,316
Medicaid		
Community health services	32,599	50,922
Family planning	-	257
Home health	8,878	39,494
Hospice care	138,804	305,748
Maternal and child health	19,212	18,691
Other third party payers		
Community health services	23,119	20,615
County Levy	525	-
Family planning	-	55
Home health	550	17,391
Hospice care	26,464	21,444
Maternal and child health	1,640	-
Senior care	-	526
Private pay		
Child care licensing	12,800	3,525
Community health services	28,061	25,488
County levy	392	-
Family planning	-	1,600
Friends of hospice	1,823	-
Home health	2,339	-
Hospice care	28	-
Maternal and child health	9,108	864
Senior care	352	4,528
	<u>\$ 1,289,714</u>	<u>\$ 1,426,963</u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

SCHEDULES OF GRANT REVENUES

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Bioterrorism emergency response	\$ -	\$ 38,978
Certified breastfeeding	11,298	12,600
Child care licensing	43,481	56,082
Community health servcies	-	260
County levy	-	21,204
Ebola funding	1,588	3,113
Immunization action program	-	13,046
Maternal and child health	103,989	79,201
PHEP	38,570	-
Special Health Care Needs	5,283	-
State formula	27,164	27,462
United Way	4,750	4,927
United Way Summer Lunch	5,000	-
Women, Infants and Children	<u>203,689</u>	<u>165,141</u>
	<u><u>\$ 444,812</u></u>	<u><u>\$ 422,014</u></u>

NORTHEAST KANSAS MULTI-COUNTY HEALTH DEPARTMENTS, INC.
Hiawatha, Kansas

SCHEDULE OF ACTIVITIES - ACTUAL AND BUDGET
For the year ended June 30, 2018

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	<u>2017 Actual</u>
Revenues				
Net service revenues	\$ 1,289,714	\$ 1,281,030	\$ 8,685	\$ 1,426,963
County tax levies	215,379	214,210	1,169	192,215
Grant revenues	444,812	396,870	47,943	422,014
Contributions in-kind	46,000	-	46,000	46,000
Contributions	5,140	-	5,140	9,947
Fundraiser	25	-	-	1,441
Miscellaneous	8,253	-	8,253	12,348
Interest revenue	1,017	659	359	948
	<u>2,010,340</u>	<u>1,892,768</u>	<u>117,548</u>	<u>2,111,876</u>
Expenses				
Personnel services	1,231,249	1,155,180	(76,070)	1,053,701
Contractual services	407,672	362,121	(45,551)	472,525
Commodities	432,052	356,836	(75,216)	401,438
Depreciation	10,759	53,139	42,380	11,925
	<u>2,081,732</u>	<u>1,927,276</u>	<u>(154,457)</u>	<u>1,939,589</u>
Change in net assets	<u>\$ (71,392)</u>	<u>\$ (34,508)</u>	<u>\$ (36,909)</u>	<u>\$ 172,287</u>

Note: Budgets for the NEKMHD are prepared on a calendar year basis. The above budget represents one-half of the 2017 budget and one-half of the 2018 budget.

...KL...

Karlin & Long, LLC
Certified Public Accountants

Board of Directors
Northeast Kansas Multi-County Health Departments, Inc.
Hiawatha, Kansas 66434

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDIT STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business activities of Northeast Kansas Multi-County Health Departments, Inc. (a governmental organization) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Northeast Kansas Multi-County Health Departments, Inc.'s basic financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Kansas Multi-County Health Departments, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Kansas Multi-County Health Departments, Inc.'s internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Directors
Northeast Kansas Multi-County Health Departments, Inc.

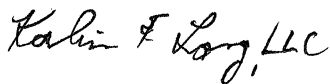
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Kansas Multi-County Health Departments, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Karlin & Long, LLC
Certified Public Accountants

December 31, 2018
Lawrence, Kansas